ROUTING AND TRANSMITTAL SLIP

Date 3-10-86

TO: (Name, office symbol, room number, building, Agency/Post)	Initials	Date
1 [redacted] C/RD		3-10-86
2 E/O		
3 DD/Pers		
4 D/Pers		
5		

Action	File	Note and Return
Approval	For Clearance	Per Conversation
As Requested	For Correction	Prepare Reply
Circulate	For Your Information	See Me
Comment	Investigate	Signature
Coordination	Justify	

25X1

REMARKS

Bob,

Per your request, the attached transmits statistics to the DDA on employees eligible to retire by 30 June 86. This is in advance of sending response to SAC's questions. We are working on the latter,

25X1

[redacted]

DO NOT use th[redacted] of approvals, concurrences, disposals, similar actions

FROM: (Name, org. symbol, Agency/Post)	Room No.—Bldg.
	Phone No.

5041-102

★U.S.G.P.O.: 1983-421-529/320

OPTIONAL FORM 41 (Rev. 7-76)
Prescribed by GSA
FPMR (41 CFR) 101-11.206

ROUTING AND RECORD SHEET

SUBJECT: (Optional)
Employees Eligible to Retire on or before 30 June 1986

STAT

FROM: Robert W. Magee
Director of Personnel

EXTENSION

NO.

DATE

TO: (Officer designation, room number, and building)	DATE RECEIVED	DATE FORWARDED	OFFICER'S INITIALS	COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)
1. Deputy Director for Administration				
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FYI - Attached in conjunction with the pension taxation issue is a chart depicting the number of Agency employees who either are or will be eligible to retire by 30 June 1986. As you can see from the figures the DO has the largest number and highest percentage of its people eligible to go by that date. Of particular interest, 34% of Agency SISer's are eligible and in the DO, 60% could go.

The Senate Appropriations Committee has requested information from the Agency as part of its effort on tax reform. Specifically they have asked: (1) How many Agency employees will be able to retire by 30 June; (2) How many would retire as a result of the proposed tax change; and (3) What would be the impact of those retirements. We plan to use the raw data in the attached and formulate a response along the lines of that given to Congressman Frank Wolf when he asked basically the same questions.

Robert W. Magee

FORM 1-79 610 USE PREVIOUS EDITIONS

STAT

Page Denied

Cy to: C/RD
Message sent via
AIM 3/11
[initials]

CONFIDENTIA

11 March 1986

25X1
MORANDUM FOR: [redacted]

OM: Robert W. Magee
Director of Personnel

BJECT: Senate Appropriation Committee Questions on Number of Employees Eligible to Retire by 30 June 1986

1. The following is offered in response to the Senate Appropriation mmittee inquiry on Agency employees eligible to retire by 30 June 1986:

Q: How many Agency employees will be able to retire on 30 June 1986?

25X1 [redacted] 6.9% of the Agency's on-duty strength will be eligible to retire by 30 June 1986. The percentages jump dramatically, however, for the Agency's Senior Intelligence Service (the Agency equivalent of the Government-wide Senior Executive Service) where
25X1 [redacted] 34% will be eligible. In the GS-14 to 15, mid-level management
25X1 group, [redacted] 15% will be eligible. In the very important overseas oriented components, the figures are even greater. 60% of the SIS officers are eligible to retire and 28% of the GS-14/15 officers could leave.

Q: How many would retire as a result of the proposed tax change?

A: While we cannot predict exactly how many would retire, we do know that employees are keenly aware of this issue and indications are that a significant number would retire to avoid the change. Last year during the 1 March through 30 June 1985 time-frame, 120 retired. In the same period in 1984, 109 employees retired. This year we already have 60 employees who have expressed their intent to retire by 30 June 1986, and another 138 who have stated they will leave if the tax change is enacted. We anticipate this number will continue to rise as the 30 June date approaches. How dramatically will depend on what direction Congress appears to be taking on the issue. If there is no decision by 30 June, many employees will leave to avoid the risk associated with the uncertainty.

Q: What would be the impact of the retirements?

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A: Historically, between 26 and 28 percent of employees eligible to retire at the Agency in a given year will do so. This ratio has worked well for the Agency in the past, with the predictability of retirements allowing for the timely and proper training and development of our up-and-coming junior officers. Any significant deviation from this trend, particularly at the senior levels where the tax change hits hardest, could have a very serious impact on our ability to carry out our national intelligence mission. The potential loss of experience in our intelligence cadre and senior officer core would require the premature elevation of officers who lack the desirable degree of experience to handle the added responsibilities in the same manner as their predecessors.

/s/
Robert W. Magee

c: Richard J. Kerr
Robert W. Magee

said Terry Anderson, an economist and naturalist at Montana State University. "They've spent years trying to save the grizzly in Yellowstone, and now a lawsuit could undo the whole program."

The expansion of personal, corporate and governmental liability and the contraction of insurance have a salutary effect in one regard: the liability crisis is making the United Sttes a safer country.

"The evolution of the substantive law . . . has brought safety to the living standards of America and created the highest safety standards in the world," Sen. Ernest F. Hollings (D.S.C.) said.

A familiar example of the increasing concern for public safety is the demise of an Ameican tradition called "happy hour." Fewer and fewer bars hold out the lure of cheap or free drinks to attract customers during the afternoon drive home from work; bar owners are afraid to have happy hours because they might be held liable for enormous damages if a customer drives off drunk and causes an accident.

The development and expansion of the bartender's responsibility for his customers' accidents demonstrates the kind of growth that has occurred throughout liability law.

The basic concept traces back to the early days of the automobile. A few progressive state legislatures enacted statutes known as "dram shop" law ("dram shop" is an old English term for bar) requiring an innkeeper to pay damages to the victim of a crash caused by a driver who left the bar drunk. The rationale was that the negligent bar owner might have a "deeper pocket" than the customer and was thus in better position to compensate an accident victim.

Once unusual, this form of third-party liability now applies in nearly every state; in many jurisdictions (including the District of Columbia), judges have imposed the liability even where the legislature has not passed a dram shop act.

Initially limited to bartenders, the scope of the liability was gradually increased to cover liquor stores, hotels that provide drinks via room service, businesses that host after-work social functions and individuals who let guests drive away intoxicated from a cocktail party.

Initially restricted to automobile accidents, "dram shop" liability was extended to cases where the drunken patron shot someone in the bar, then to shooting cases outside. A recent treatise in American Law Reports includes a long roster of other circumstances where the third-party liability has been applied: "fighting," "starting fire," "pushing party on stairs," "friendly scuffle," "door closed on finger" and so on.

Much of the expanded liability—in dram shop cases and countless others—has been borne by insurance companies. One of the explicit messages of the current insurance shortage is that the insurers are no longer willing to accept continually expanding liability.

Faced with reduced liability coverage, governments and businesses are taking steps to reduce their exposure.

This movement has prompted the emergence of a new professional discipline called "risk management." Today nearly every large business and every governmental body from medium-size on up employs "risk managers." Their job is to search out potential hazards in corporate and governmental activities and eliminate the risks before someone gets hurt and someone else gets sued.

You can see the results everywhere. Next time you're in a hardware store, look at the complex new safety switches built into virtually all power tools. Next time you enter a hotel room, look up at the ceiling: You'll see sprinklers and smoke alarms that probably weren't there before the November 1980 fire at the MGM Grand Hotel in Las Vegas and the large liability settlements it spawned. Next time you see a delivery truck backing into the loading alley, listen for the beep and watch for a "navigator" on the street guiding the driver. Many trucking firms now refuse to let their drivers back up unassisted, and most big trucks come with a "beeper" that sounds a warning whenever the transmission is put into reverse.

The results of such "risk management" initiatives can be dramatic. After Charlotte-Mecklenburg County, N.C., set up a risk management agency and strong safety rules, injuries dropped markedly. The county's workman's compensation bill fell 52 percent in four years. Its auto liability payments (for accidents caused by county vehicles) fell 62 percent, all at a time when population and county services were growing.

Nearly every observer of the liability crisis agrees that the United States has a long way to go in improving risk management practices. But no society can be made risk-free. Accordingly, insurance remains a vital commodity for the nation; right now, it's a commodity in acutely short supply. The shortfall will be felt in numerous aspects of daily life.

"An insurance shortage," said Robert Hunter of the National Insurance Consumers Organization, an Alexandria-based interest group, "is just as critical to our society as an oil shortage. Without insurance, the whole economy just grinds to a halt."

TAX BILL PROVISION COULD DISRUPT VITAL FEDERAL PROGRAMS AND AGENCIES

HON. FRANK R. WOLF

OF VIRGINIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, March 11, 1986

Mr. WOLF. Mr. Speaker, I want to share with my colleagues a letter which my colleague from Maryland [Mr. HOYER] and my colleague from Virginia in the other Chamber, Mr. TRIBLE, and I have authored on a very serious problem in the House-passed tax reform bill.

I ask that this letter to Senate Finance Committee Chairman BOB PACKWOOD be printed in the RECORD so that my colleagues who are concerned about the efficient and effective operation of Government may know of the potential disruption in vital Federal programs and agencies if the 3-year basis recovery rule is changed in the tax reform package.

We are facing a crisis in Government and I urge my colleagues to take action to prevent a mass exodus of Government's most experienced personnel.

HOUSE OF REPRESENTATIVES,
Washington, DC, March 4, 1986.

Hon. BOB PACKWOOD,
Chairman, Senate Finance Committee,
Washington, DC.

DEAR BOB: In follow-up to previous contracts regarding proposed changes in the tax reform legislation in the three-year basis recovery tax rule, we are enclosing a copy of budget estimates provided by the Senior Executives Association as you requested. We are also including information demonstrating not only the potential budget impact of such a measure if enacted, but also the likely program disruption in several vital federal agencies. We have included the following examples:

During the past several years, the Internal Revenue Service has been faced with declining rates of voluntary compliance among taxpayers. For every percentage point drop in compliance rates, $6 billion in uncollected revenue is lost. Within the last three months, 10 percent of the top executives at the IRS have left the Service in response to the annuity tax change proposal. Another 10 percent of the IRS executives have indicated their plans to retire to avoid the tax penalty created by the basis recovery rule change. This tax proposal could further impede the IRS' efforts to enhance compliance.

The director of personnel at the Central Intelligence Agency has indicated, "I can tell you that our employees are keenly aware of this tax rule change issue and indications are that a significant number would retire to avoid the changes. These are officers who would not otherwise be leaving at this time. The potential loss of experience in our intelligence cadre and senior officer core would require the premature elevation of officers who would lack the desirable degree of experience to equip them to handle the added responsibilities in the same manner as their predecessors."

The Department of State legislative affairs office reported: "Over 70 percent of our Senior Foreign Service employees are eligible to retire . . . an unusually large number of SFS retirements in the first half of 1986 would unquestionably strain our ability to manage the department."

The Federal Bureau of Investigation reported: "The FBI's ability to carry out its mission will be severely hampered if a substantial number of those employees eligible to retire do so prior to July 1, 1986. A substantial number of employees retiring at one time will result in a severe experience drain which will take several years to overcome."

According to the attached budget estimates, if a surveyed population of federal workers within the Social Security Administration is used as an indicator of how many federal employees governmentwide will retire, the cost to the federal retirement system (not including those who will also join the Social Security rolls, Medicare and other retirement-associated funds) would exceed $3.15 billion in outlays for retirement benefits in the first year. Any revenue increase from the tax law change would be more than negated. The change could also jeopardize certain revenue-raising activities at the IRS, Savings Bonds Division and Customs Service while hampering the mission of vital programs at the FBI and other agencies because of the loss of experienced personnel.

Mr. Chairman, we hope this information helps to clarify the real issue on the table. This proposal could have serious ramifications on the efficient and effective operation of government and we hope you will do everything possible to ensure this provision is not included by the Senate Finance Committee in any forthcoming tax reform measure. Gauging from the number of employees currently poised to retire by July 1, 1986, because of this provision, it is critical that the Senate Finance Committee indicate early its intention on this issue.

We appreciate your consideration.

Sincerely,

PAUL S. TRIBLE,
U.S. Senate.

FRANK R. WOLF,
Member of Congress.

STENY H. HOYER,
Member of Congress.